

## **MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (06-24)**

### **Subject**

Senate Joint Resolution No. 26 submitting to the voters a constitutional amendment relating to veterans' organizations. (Received June 7, 2006)

### **Date**

June 27, 2006

### **Description**

This proposal would amend Section 6 of article X by adding veterans' organizations to those organizations exempt from taxation.

The amendment is to be voted on in November, 2006, or at a special election called by the governor.

### **Public comments and other input**

The State Auditor's Office received input from the Secretary of State (SOS), the Department of Economic Development (DED), the State Treasurer's Office (STO), the Department of Mental Health (DMH), the Office of State Courts Administrator (OSCA), the Missouri Department of Transportation (MoDOT), the Office of Administration (OA), the Department of Health and Senior Services (DHSS), the Department of Public Safety (DPS), the Department of Labor and Industrial Relations (DOLIR), the Department of Higher Education (DHE), the Department of Corrections (DOC), the Department of Agriculture, the Department of Revenue (DOR), the House of Representatives, the Senate, the Governor's Office, the State Tax Commission (STC), the Missouri Department of Conservation (MDC), the Department of Elementary and Secondary Education (DESE), the Attorney General's Office, the Department of Social Services (DSS), the Department of Natural Resources, St. Charles County, Taney County, the City of Wentzville, Hannibal School District #60, Rockwood School District, Linn State Technical College, Metro Community College, the University of Missouri, and St. Louis Community College.

The State Auditor's Office did not receive a response from the State Public Defender, Adair County, Callaway County, Cass County, Clay County, the City of Joplin, the City of Springfield, or the Cape Girardeau School District.

### **Assumptions**

Officials from the SOS indicated they are required to pay for publishing in local newspapers the full text of each statewide ballot measures as directed by Article XII,

Section 2(b) of the Missouri constitution and Section 116.230-116.290, RSMo. The SOS's Office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session and likely initiative petitions that are certified for the ballot. In the FY 2007 budget approved by the Missouri General Assembly a total of \$1.6 million has been provided to meet these requirements and they assume the Governor will approve this when he signs the appropriations bill. The appropriation is an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. Therefore, the SOS's Office should have the full appropriation authority it needs in FY 2007 to meet the publishing requirements of the proposal. There will not be any other costs for the SOS.

Officials from the DED indicated the proposal would have no fiscal or administrative impact on the department.

Officials from the STO indicated the proposal would have no fiscal impact on the department.

Officials from the DMH indicated the proposal would have no fiscal impact on the department.

Officials from the OSCA indicated the proposal would have no fiscal impact on the judiciary.

Officials from the MoDOT indicated the proposal would have no fiscal impact on the department.

Officials from the OA indicated the proposal should not result in additional costs or savings to the Governor's Office or the OA. The OA's Division of Budget and Planning (B&P) assumes the proposal would reduce tax revenues for political subdivisions which could affect local funding to public school districts. B&P defers to the STC and the DESE for an estimate. B&P assumes this proposal would reduce revenues to the Blind Pension Fund. B&P defers to the DSS for an estimate.

Officials from the DHSS indicated the proposal would have no fiscal impact on the department.

Officials from the DPS indicated the proposal would have no fiscal impact on the department.

Officials from the DOLIR indicated the proposal would have no fiscal impact on the department.

Officials from the DHE indicated the impact of the joint resolution is unknown. Community colleges have local taxing districts which through property taxes provide

roughly one-third of their operating revenue. Any reduction to the property tax based may negatively impact these higher education institutions.

Officials from the DOC indicated the proposal would have no fiscal impact on the department.

Officials from the Department of Agriculture indicated the proposal would have no fiscal impact on the department.

Officials from the DOR indicated the proposal would have no fiscal impact on the department.

Officials from the House of Representatives indicated the proposal would have no fiscal impact on the House.

Officials from the Senate indicated the proposal would have no fiscal impact on the Senate.

Officials from the STC indicated the proposal would not have a fiscal impact on the department. However, the local political subdivisions may be impacted. The STC believes many counties currently exempt this type of property from local taxes. However, any county currently assessing taxes on these organizations would be impacted by this amendment with a revenue loss.

Section 137.101.1. RSMo. states...The activities of nationally affiliated fraternal, benevolent, veteran, or service organizations which promote good citizenship, humanitarian activities, or improve the physical, mental, and moral condition of an indefinite number of people or purposes purely charitable within the meaning of subsection 1 of section 6 of article X of the constitution and local assessing authorities may exempt such portion of the real and personal property of such organizations as the assessing authority may determine is utilized in purposes purely charitable from the assessment, levy and collection of taxes.

Many local political subdivisions treat all the property owned by these organizations as charitable and do not assess any taxes. However, some political subdivisions will only exempt that portion of the property they believe to be used for charitable purposes and will assess property taxes on the rest.

The STC does not have any information or data on what the total assessed value for veteran's organization might be in the state of Missouri.

The STC conducted a telephone survey with numerous counties regarding the question of taxing property owned by veteran's organizations. Only one of the seventeen first-class counties the STC contacted confirmed they assess taxes on a portion of the property owned by veteran organizations. (The STC believes there may be one other first-class county that assesses taxes on a portion of the property owned by veteran's organizations.)

Of the six second-class counties and fourteen third-class counties the STC contacted, only one county assessed tax on such property. The City of St. Louis does not tax such property.

After further review, the STC estimated the assessed value for all property owned by veterans' organizations which is currently being taxed is \$500,000. Assuming the average state-wide tax rate is \$6.15 per hundred dollars of assessed valuation, the potential loss of revenue would be \$30,750.

Officials from the MDC indicated the proposal would have no fiscal impact on the department.

Officials from the DESE indicated they cannot estimate the impact resulting from the exemption of veterans' organizations' property, real and personal taxes from taxation. They defer to the STC. However, a reduction in tax revenue represents a reduction in general revenue available to distribute to local school districts.

Officials from the Attorney General's Office indicated the proposal would have no fiscal impact on the department.

Officials from the DSS indicated the proposal would have no fiscal impact on the department. This bill would result in a loss to the Blind Pension Fund of three cents on every \$100 valuation of taxable property that would be exempted. Currently, nearly all counties already exempt veterans' organizations from paying personal property tax, therefore, any fiscal impact to the Blind Pension fund is expected to be minimal.

Officials from the DNR indicated the proposal would have no fiscal impact on the department.

Officials from St. Charles County indicated the proposal would have a minimal fiscal impact, if any.

Officials from Taney County indicated the proposal would have no fiscal impact on the county.

Officials from the City of Wentzville indicated making veterans' organizations tax exempt would have minimal effect, less than \$500/year on the city.

Officials from Hannibal School District #60 indicated the proposal would have no fiscal impact on the district.

Officials from the Rockwood School District indicated they relied upon information provided by others including members of the St. Louis County Department of Revenue Office to estimate the fiscal impact.

In order to estimate the fiscal impact, it was necessary to make certain reasonable assumptions including:

- Information related to average tax rates for St. Louis county properties and the amount of such property held on a statewide basis would be proportional to the overall assessed value of such properties in St. Louis County.
- Average tax rates on a statewide basis would be similar. (In reality, average tax rates on a statewide basis are probably somewhat lower than St. Louis County averages, and there is no way of easily determining that the percentage of property owned by veterans' organizations on a statewide basis is similar to such percentage in St. Louis County.)
- Taxing jurisdictions would not be able to increase or roll up their tax rates as a result of this reduced assessed value. (Clearly this is a "worse case" assumption as certain taxing jurisdictions in certain situations may be able to adjust their tax rate to be compensated for this loss of revenue.)

According to St. Louis County, the total real and personal property assessed value of property held by veterans' organizations in St. Louis County totals \$562,750. Multiplying this assessed value by the overall average tax rate for St. Louis County for 2004 of \$8.1684 yields total revenue provided by these organizations in St. Louis County of \$45,968.

For year ending December 31, 2005, according to the 60th Annual Report of the Proceedings of the State Tax Commission (page 295), total locally assessed value for the State of Missouri was \$78,913,491,098 and for St. Louis County, \$20,750,912,130. Therefore, St. Louis County represents 26.3% of the State of Missouri's locally assessed value. Dividing \$45,968 by .263 yields an estimated statewide revenue impact of \$174,783. (Given the STC's knowledge in this area, the SAO accepts their evaluation of total local impact and will rely on their estimates.)

Subject to the above-described assumptions and limitations, Rockwood School District believes this represents a reasonable estimate of the fiscal impact of Senate Joint Resolution 26.

Officials from Linn State Technical College indicated the impact of the proposal is unknown. While the proposal provides tax exemption to veterans' organizations potentially providing additional dollars available to the organization, it eliminates potential tax revenue for the state.

Officials from Metro Community College in Kansas City indicated the proposal would have no fiscal impact on the college.

Officials from the University of Missouri indicated the proposal would have no fiscal impact on the university.

Officials from St. Louis Community College indicated the proposal would have an insignificant impact on the college.

**Fiscal Note Summary**

It is estimated this proposal will have a minimal cost to state government. The estimated costs to local governmental entities range from zero to approximately \$45,000.